2. The Commissioner for Local Self-Government has stated that the Presidents of Town Municipal Councils report that the execution of Municipal Works through the Public Works Department is often leading to unnecessary delay in emergent cases and that the condition may be relaxed in cases where great technical skill is not required. He feels that such relaxation will be appropriate where the municipality is well administered and the staff is competent to carry out the work. He is also of the view that it will be useful in the interests of work if powers to sanctioning and taking up works through the Municipal agency under the supervision of the Public Works Department are delegated as follows:—

(i) Deputy Commissioners: Works costing from Rs. 3,000 to Rs. 5,000.
(ii) Commissioner for Local Self-Government :
Works costing from .... Rs. 5,000 to Rs. 15,000.

3. The Chief Engineer has opined that all works costing above Rs. 10,000 are termed as major works and that according to Para 2, Note 2 of the Public Works Account Code all major works have to be executed by the Public Works Department.

4. After consideration of the proposals and in partial modification of the Government Order No. L. 14654-370—Ml. 163-52-2, dated 26th November 1952 and L. 11289-407—Ml. 193-53-1, dated 9th December 1953, Government are pleased to direct that no original work shall be commenced by the Municipal Council or in its behalf by the Public Works Department without the previous sanction of —

(i) the Commissioner for Local Self-Government in Mysore, when the estimated cost exceeds Rs. 5,000 but does not exceed Rs. 15,000.
(ii) the Government when the cost exceeds Rs. 15,000;

5. Government further direct that the Deputy Commissioners and the Commissioner for Local Self-Government in Mysore be empowered to sanction the execution of works by municipal agencies to the extent specified below :—

(i) Deputy Commissioners—Works costing from Rs. 3,000 to Rs. 5,000.
(ii) Commissioner for Local Self-Government :—
Works costing from Rs. 5,000 to Rs. 10,000.

6. Works costing more than Rs. 10,000 will be done by the Public Works Department as these are major works.

7. The Controller, State Accounts Department, is requested to issue necessary amendments to Rule 250 (*c*) of the Municipal Accounts Manual, Part II.

G. V. K. RAO,
Secretary to Government,
Local Self-Government and
Planning Departments.

Memorandum of Instructions for the issue of Short Term Credit in the areas covered by the National Extension Service Scheme in the State.

READ—

Correspondence ending with the letter No. 3605—54-55 CS., dated 23rd June 1954, from the Registrar of Co-operative Societies in Mysore forwarding, for approval, the "Memorandum of Instructions" to be followed in the issue of Short Term Credit financed by the Reserve Bank of India for cultivation purposes and for marketing through District Central Co-operative Banks, in the areas covered by the National Extension Service Scheme in the State.

2. Un-official Note No. CP. (S3) 33-62—53-54, dated 7th July 1954, from the Director of Agriculture and Development Commissioner for Community Project and National Extension Scheme in Mysore on the subject.

ORDER No. L. S. 3831-43—PLNG. 78-54-3, DATED BANGALORE, THE 17TH AUGUST 1954.

The 'Memorandum of Instructions' as approved by Government is appended.

G. V. K. RAO,
Secretary to Government,
Local Self-Government and
Planning Departments.

APPENDIX.

Memorandum of Instructions to be followed in the issue of short term credit financed by the Reserve Bank of India for cultivation purposes and for marketing through District Central Co-operative Banks and in the areas covered by the National Extension Service Scheme.

I. APPLICABILITY.

These instructions are applicable in the areas selected for dispensation of short term credit and also served by the District Banks and in areas covered by National Extension Service Scheme.

II. GENERAL REMARKS.

(*a*) The dispensation of Short Term Credit in Mysore State, in well defined areas, has become possible after the Amendment of Section 17 (b) of the Reserve Bank of India Act. The Reserve Bank of India have agreed to finance the Apex Bank on the guarantee of the State Government, short term credit to be dispensed through well organised rural Credit Co-operative Societies selected for the purpose and in the areas served by the District Banks and National Extension Service Scheme. In the Districts where District Banks are working the Apex Bank lends money to the credit societies through these Banks and in places where National Extension Service is working (and if there is no District Bank) the Apex Bank will directly deal with the credit societies organised in the Extension area. This direct issue by the Apex Bank is a temporary expedient subject to the organisation of District Central Co-operative Banks in all the remaining districts. The Guarantee given by Government is also of a tentative measure and the District Banks will have to strengthen themselves very early so as to reach the position of offering the required guarantee themselves. The starting of a District Bank as an intermediate supervising agency in the District is advised by the Reserve Bank of India as it is found that such institutions are necessary in the federal structure of Co-operative Movement. The District Banks are expected to take up the complete responsibility of serving the district not only in the dispensation of short term credit to the agriculturist for meeting the cultivation expenses and marketing the produce, but also for financing other activities like consumers' stores and all other short term and medium term facilities undertaken by cooperatives in the area served by the District Bank. To do this the District Bank has to develop itself into strong financing agency by strengthening its own capital and act as balancing centre for the district.

(*b*) *Primary level.*—At the Primary level a network of good credit co-operative societies having jurisdiction over 5 or 6 villages at the most, depending upon the density of population and the distance between villages, is necessary. The Reserve Bank money earmarked for short term loans could only be disbursed through primary co-operative societies which come under audit classification "A" and "B" and with the approval of the Registrar "C" class societies may also be entrusted with this work. The Registrar of Co-operative Societies will select suitable societies coming under these audit classifications and intimate the same to the financing Banks for entrusting the issue of short term loans to the agriculturists through them. The District Central Co-operative Banks and the Apex Bank, in case of direct dealings, as financing Banks shall investigate into the affairs of these societies and serve the ryots through these institutions. The Registrar of Co-operative Societies from time to time will revise the list and forward the same to the financing Banks for selecting and entrusting to them the work of issue of short term credit to the agriculturist members.

(*c*) *Credit worthiness.*—The Short term loans financed by the Reserve Bank are advanced for two purposes :

(1) For raising Crop. This loan will be given to creditworthy ryots who offer proper security, and

(2) Marketing or produce loan. This is advanced on produce pledged in the society by the members of the society.

Without proper security no loans are disbursed out of this finance.

The selection of creditworthy ryots who own unencumbered cultivable lands becomes therefore very necessary. In cases of tenants and lease holders who own no lands, loans have to be granted on the security of the tenant's partition of the standing crop and also on furnishing two member sureties owning lands.

(*d*) *Controlled credit* —In the dispensation of short term credit it is very desirable that the system of controlled credit is followed. The credit society which issues short term loan to the agriculturists for cultivation purposes should stipulate conditions that the borrower will necessarily surrender his produce to the nearest maketing co-operative society for either immediate sale or for getting produce loans. This procedure will help the credit society in recovering its dues and the borrowers to get money to repay their loans to the credit co-operative society from which they have borrowed the crop loans. In addititon to this advantage it also gives the ryot the power to hold back the sale of crop till a favourable period.

III. SOME SALIENT POINTS TO BE NOTED IN THE ISSUE OF THESE LOANS.

1. Loans are issued only to members of rural credit co-operative societies.
2. Loans are issued on proper security and to the creditworthy ryots.
3. The member who borrows has to pay 1/10 of the amount borrowed by way of additional shares to his society. The credit society in its turn should also pay up 1/10 of the share capital collected from the borrowers to the District Central Co-operative Banks. The District Central Co-operative Bank also should pay 1/20 of its paid up share capital to the Apex Bank by way of shares.

4. Loans to be granted to any member shall not exceed his maximum borrowing power fixed by the society and subject to a maximum of Rs. 500. In case of tenant borrower the maximum borrowing limit will not exceed Rs. 250. In cases where these limits have to be enhanced, the permission of the financing Banks and the Department of Co-operation is necessary.

5. Interest shall accrue from the date of disbursement of loan. If the loan is disbursed in instalments, interest on each instalment will run from the date of issue of such instalments.

6. Each selected primary society should fix up every year the maximum, average and minimum value of dry, wet and garden lands per acre in each village in its jurisdiction and this should serve as a basis for valuation of lands.

7. Each selected society shall fix up in respect of each village the rate of cultivation expenses per acre of different types of land for purposes of computing the amount of loans to be issued for agricultural operations.

8. Every selected primary society with limited or unlimited liability should prepare a property statement of its members who wish to borrow short term credit in the form prescribed by the Department with great care and accuracy as this forms the very basis on which the issue of loans mainly depends.

The borrowing power of the unlimited liability society is greater than that of a limited liability society. The maximum credit limit that a particular unlimited society can borrow depends upon the value of the assets owned by its members and subject to the limit fixed in the bye-laws of the society. In the case of limited liability society the maximum borrowing limit is fixed in the bye-laws with reference to share capital paid up by members and not in terms of a lumpsum figure as in the case of unlimited liability society. In an unlimited liability society all members of the society are responsible for the money borrowed whether an individual member raises a loan or not. In working of the scheme this type of society is best suited. Since there are more number of societies with limited liability in our State great caution should be exercised in the issue of loans. Adequate security of the member and his repaying capacity are the two essential factors which should be considered very carefully while sanctioning loans.

9. Details of assets, moveable and immoveable, total liabilities, annual income and expenditure, not income of members and all other information should be furnished along with this statement. These statements should be got verified by the Village Officers and certified as to the correctness of the property statement prepared by the society regarding the S. No., extent and ownership, etc. These property statements have to be attested by the President, Secretary and two Directors of the institutions.

10. The sanction of short term credit just as it depends upon the creditworthiness of the borrower, it also depends to a greater degree on the repaying capacity of that person.

11. The disbursement of loan should be done by the societies at a time when it is most needed by its members in the various stages of cultivation and raising up of crops. The success of the scheme depends to a very large extent on the quick disposal of loan applications and the timely supply of funds to meet the needs and requirements of agriculturists. The saying "credit delayed is credit denied" has to be borne in mind by all institutions.

12. Repayment of loans by the borrower and the society in its turn to the financing Bank is more important than the sanction and disbursement of loans since the success or otherwise of the scheme entirely depends upon prompt repayment.

IV. PURPOSE OF LOANS.

Short term loan financed by the Reserve Bank of India and disbursed through the Apex Bank, district Banks and primary credit societies is for helping the creditworthy agriculturists in getting loans required by him in instalments for attending (*a*) to seasonal agricultural operations such as (1) cultivation, (2) purchase of manures, seeds and implements, (3) hire of ploughs and cattle, (4) wages for agricultural labour, (5) payment of land revenue, (6) advance on produce at the time of marketing (Produce loan).

V. MODE OF DISPENSATION OF THESE TWO LOANS, *viz.*, CROP AND MARKETING.

(*a*) *General.*—The short term loans are issued for two purposes, (1) for the purpose of raising crop which could be called as crop loan, (2) produce loan issued on the pledge of crop at the time of marketing which could be called produce or marketing loans. The Apex Bank borrowing from the Reserve Bank of India on the guarantee of Government supplies funds to the District Central Co-operative Banks and to primary co-operative societies direct in National Extension Service areas. The District Bank in turn on the pledge of proper security advances loans to the selected primary societies. The primary society, which is the base of co-operative integrated credit structure, directly attends to the dispensation of credit to the agriculturists. The primary societies will issue loans to its members on the security of unencumbered landed property wholly belonging to the borrower at a rate not exceeding 40 per cent in case of dry lands and 50 per cent in case of wet and garden lands on the estimated market value of such properties. Wherever necessary the primary society will also take the house properties of the borrower as the collateral security. Loans are granted to the individual members on continuous mortgage bond or in the manner suggested from time to time by the Registrar of Co-operative Societies. Each selected society shall fix up every year, as already stated, the maximum, average and minimum value of each kind of land and also the rate of cultivation expenses to each type of land.

(*b*) *Borrower.*—A member desiring to borrow short term loans has to prefer an application to the society and pay admission fee, share fee, and share amount, and investigation fee, if any, levied by the Society. He has to furnish along with the loan application all necessary proof of ownership

of land like title deeds, sale deeds, saguvali chits, land revenue receipts and patta book, if he is a tenant, gutta or lease karar, concurrence of the landlord, if possible, and two members' surety with details of their property. While presenting the loan application he should also clearly mention the different agricultural operations at which amounts are required, the crop he intends to grow with S. Nos., the approximate expenses he may incur in raising different types of crops and yield he expects with quantity and the value thereof together with the agricultural net income he may derive out of cultivation.

(c) *Preliminary work to be attended to by a society* —The primary society of which he is a member, on receipt of loan application, should get extracts of revenue references such as Index of land and Record of Rights and a certificate issued by the Village Officers regarding the S. No., extent and ownership of lands. The society should prepare a property statement on the basis of the above information of its members who wish to borrow short-term loans in the form prescribed and get the same approved by the committee, well in advance before the starting of cultivation season. Copies of the same should be sent to District Central Co-operative Bank and the Apex Bank as the case may be and also to the Assistant Registrar of the Division. This statement should be revised thoroughly and systematically every year, and results of such revision intimated to Assistant Registrar and District Central Co-operative Bank. In case of mortgage of properties, the society should also get an encumbrance certificate from the Sub-Registrar's Office. The society should open personal register of each borrower and keep accounts up-to-date. Making use of the property statement prepared, the loan applications of the members should be forwarded to the Supervisors who are employees of the District Central Co-operative Bank or where there are no such Supervisors to the concerned Inspectors of Co-operative Societies for the purpose of investigation of lands proposed to be cultivated or mortgaged, as the case may be, for purposes of evaluating the same.

(d) *Investigation of Loan Applications.*—The Investing Officer has to pay particular attention to and furnish information to the society on the following points :—

(1) Creditworthiness of the applicant,

(2) Capacity to re-pay the loan,

(3) Applicant's antecedents,

(4) His debt position,

(5) Sufficiency of security offered,

(6) Rights of the applicant on the lands offered as security—number of shares taken by him in the society, and

(7) Any other important particulars they wish to mention about the applicant. They have to definitely state the amount of loan required by the applicant.

The society, if necessary, may depute one or two of its Directors along with the Supervisors or Inspectors of Co-operative Societies concerned, to assist the investigating officers in the investigation of loan applications.

(e) *Scrutiny of loan applications by the Committee of Society.*—After the completion of investigation by the Investigating Officers all the loan applications will have to be placed before the Committee of the Society for the scrutiny of the Committee. The Committee while considering the loan applications individually shall pay particular attention to the following factors :—

1. Borrowing capacity of the applicant,
2. The nature and extent of the land proposed to be cultivated,
3. Share amount paid by the borrower to the Society,
4. Nature of crop proposed to be raised by the applicant with the approximate value of the produce,
5. Value of the land and the value of the security offered,
6. Title of the applicant to the lands proposed to be mortgaged, net income from the lands and re-paying capacity,
7. Names of sureties and their share capital together with their consent to be sureties,
8. Investigating Officers and Directors remarks,
9. Valuation of property and amount of loan recommended.

(f) *Forwardal of loan application by the Society.*—After considering the loan applications as above, the Committee shall then proceed to sanction, reduce or reject the loans applied for on their individual merits and record their decisions on each case. After the sanction or otherwise of the loan applications by the Committee, the Secretary of the Society helped by the Supervisors of the District Central Co-operative Bank or Inspectors of Co-operative Societies, shall prepare the loan applications of the primay societies in the form prescribsd and shall arrange to forward the same to the District Central Co-operative Bank or the Apex Bank, as the case may be, with all the necessary enclosures noted below :—

1. Receipt and Expenditure statement of the Society up to the date of loan application to the District Central Co-operative Bank,
2. Up-to-date balance sheet of the Society,
3. List of outstanding loans,
4. List of overdue loans, if any,

5. An extract of the resolution of the General Body for raising a loan in the District Central Co-operative Bank,
6. An extract of the resolution passed by the Committee meeting sanctioning the loan applied for by members,
7. An extract of the resolution requesting the District Central Co-operative Bank to grant the loan to the Society,
8. Property statement if not already sent,
9. Specimen signature of the office bearers of the Society.

(*g*) *National Extension Service Blocks.*—In the National Extension Service Scheme areas, it is desirable to have a Sub-Committee with the Project Officer as the Chairman of the Sub-Committee and the Inspector of Co-operative Societies of the Circle and Special Inspector of Co-operative Societies attached to the Project and one or two non-officials elected from the primary societies selected for the dispensation of short term credit. This Sub-Committee will scrutinise the loan applications recommended by the primary Societies and send up the same to the financing Bank with their remarks.

(*h*) *District Central Co-operative Bank.*—On receipt of loan application from the primary society they should be serially registered. The Secretary of the District Central Co-operative Bank shall scrutinise the loan applications and put up a note in case of each loan application after getting the same investigated if necessary, through the executive staff attached to the Bank, or by requesting one or two local Directors of the Bank to attend to this. His note should be on the following points :—

1. Purpose of the loan,
2. Review of Balance sheet and the financial condition of the primary Society.
3. General working condition of the Society,
4. Regularity of re-payment of loans, if already borrowed,
5. Loans outstanding,
6. Loans overdue, if any,
7. With Secretary's remarks.

The Secretary will thereafter, place before the Executive Committee all such scrutinised loan applications. The executive after scrutiny of the loan applications of the Society subject to the approval of Board, will sanction, reduce or reject the loan applications on their merits and record the decisions taken thereon. After such sanction the District Central Bank will adopt the same procedure that is adopted by the primary Society in the forwardal of its loan applications to the Apex Bank for finance After the receipt of the required finance, it will issue the orders of sanction of the loan to the respective primary Societies in the form prescribed. Alterations, if any, and conditions imposed, shall be noted in the loan sanction order. Copies of the loan sanction order should be sent to the Assistant Registrar of the Division, Supervisor of the District Central Co-operative Bank and Inspector of Co-operative Societies of the Circle. Along with the sanction order, the draft bond to be executed by the primary Societies should be sent to primary Societies. In case of rejection of an application the same may be communicated to the concerned. The primary Societies after the receipt of sanction order will get the security bonds from the individual members executed in its favour and forward the same to the financing Bank along with their final (pro-note) as security for the loans granted to them by the financing Bank. The primary Society should execute the final bond in favour of the District Central Co-operative Bank within the time limit fixed by the financing Bank. The Financing Bank after receipt of the final bond from the primary Society should make available the funds to the primary Society for disbursement.

Note.—The procedure adopted by the Apex Bank in dealing with Societies situated in N. E. S Blocks will be more or less the same. The primaries situate in that area (if there is no District Bank in that District) should adopt the same procedure noted above and directly deal with the Apex Bank for getting the required finance.

VI. MODE OF DISBURSEMENT OF SANCTIONED LOANS.

(*a*) *Financing Bank.*—As soon as the loan sanction order is communicated, the President, the Secretary and two Directors of the primary Society authorised by the Committee, shall execute a pro-note in favour of the Financing Bank for the amount sanctioned to the primary Society in the form prescribed thereto and deposit the security bonds executed by the individual borrowers of the primary Society in the financing Bank. Thereafter the financing Bank shall issue a cheque in favour of the President of the primary Society for the amount of loan sanctioned.

The District Bank while getting its finances from the Apex Bank adopts similar procedure and any other special procedure prescribed by the Apex Bank.

(*b*) *Primary Co-operative Society.*—Soon after the receipt of the loan sanction order by the financing Bank the primary Society should get the security bonds from the individual borrowers and forward the same to the financing Bank along with its pro-note. The financing Bank as stated above will send the cheque to the primary Society in favour of the President for encashment and disbursement to the individual loan grantees. The loan amounts shall be disbursed at the headquarters of the Society either in full or in instalments, either in cash or in kind as the case may be by the President and Secretary in the presence of the Supervisors and the Inspectors of Co-operative Societies concerned. Proper vouchers in the prescribed form should be obtained for all such payments by the primary Society.

The primary Society after disbursement shal prepare a loan disbursement statement indicating—(1) amounts sanctioned, (2) the amounts disbursed, (3) with names of individual borrowers, and (4) the balance left over. In case of loans not disbursed, such amounts should be remitted to the financing Bank forthwith with reasons. Such statements should be sent to the financing Bank, Assistant Registrar of the Division, Supervisor and the Inspector of Co-operative Societies concerned. In case of controlled credit system, copies of such statements should be forwarded to the Marketing Co-operative Society of the area for information and for effecting recovery while issuing produce loans.

VII. TIME-TABLE FOR PRESENTATION OF APPLICATIONS AND SANCTION THERETO AT VARIOUS LEVELS.

Short term loans are urgent loans issued to meet current agricultural requirements of the member. Hence, this should be recovered strictly out of the agricultural produce for the raising of which these loans are issued. These loans should be re-paid in full with interest within one year at the maximum.

(1) The member should apply to the primary Society for loan by *15th March of each year.*

(2) The primary Society after observing all formalities should send up the loan applications to the financing Bank within the *1st week of April of every year.*

(3) The financing Bank should communicate the sanction order to the primary Society by *the end of April of every year.*

(4) *Re-payment of loans.*—The individual should repay the loan to the primary Society with interest before the *end of February of every year.*

(5) The primary Society should re-pay the loan to the financing Bank *on or before the 15th March every year.*

(6) The District Central Co-operative Bank should repay the loan to the Apex Bank *on or before 25th of March of every year.*

VIII. RECALL AND RECOVERY OF LOANS ISSUED.

Every individual borrower should repay the loan amount together with interest before the end of February every year to the primary Society without fail. In the recovery of the loan the Supervisor of the Bank and the Inspector of Co-operative Societies concerned have to be vigilant. They should be inspecting the lands constantly and see whether the loan amount sanctioned and disbursed are properly applied for for the purpose for which the same has been sanctioned. Any slackness or the neglect on the part of the loan grantee should be brought to the notice of the concerned Society for taking immediate action against such borrowers, if necessary, by recalling the loans.

Recall.—1. The Society may recall a loan if the information furnished by the borrower is found to be incorrect in material particulars,

2. If the loan amount is misapplied and misused,

3. In case of default of the borrower,

4. If the borrower alienates or creates any subsequent encumbrances on the property offered as security,

5. Any other reason necessitating such recall.

IX. REPAYMENT.

The individual borrower should repay the loan within the time fixed for such repayment either directly or through a Marketing Society. In case of default action shall be taken by the primary Society to recover the dues from the defaulter in accordance with the provisions of the Mysore Co-operative Societies Act and Rules. On overdue loans, penal interest shall be charged over and above the usual rate of interest. Payments made by a borrower shall be credited in the following order :—

1. Penal interest on the loan and any other miscellaneous charges, if any.
2. Ordinary interest.
3. Principal.

X. RETURNS TO BE FORWARDED TO THE FINANCING BANK BY THE PRIMARY SOCIETY.

(1) Monthly Receipt and Expenditure Statements.

(2) Proceedings of the monthly Committee meetings and the Executive Committee.

(3) Proceedings of the General meeting or special General Body, if any.

(4) Annual balance sheet.

(5) Property statement as revised every year.

(6) Monthly list of overdue loans with the action taken by the Committee for recovery of the same.

(7) Disbursement statement.

(8) Any other returns prescribed by the Department and the Financing Bank.

Printed by the Director of Printing, Stationery and Publications at the Government Press, Bangalore.